

# GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

P.O. Box 13528 • Austin, TX 78711-3528

November 24, 2015

Jan Hunt Superintendent McCamey Independent School District 111 E. 11<sup>th</sup> St. McCamey, Texas 79752

Dear Superintendent Hunt:

On September 10, 2015, the Comptroller issued written notice that Core Solar SPV V, LLC (the applicant) submitted a completed application (Application #1081) for a limitation on appraised value under the provisions of Tax Code Chapter 313.¹ This application was originally submitted on June 22, 2015, to the McCamey Independent School District (the school district) by the applicant.

This presents the results of the Comptroller's review of the application and determinations required:

- 1) under Section 313.025(h) to determine if the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C; and
- 2) under Section 313.025(d), to issue a certificate for a limitation on appraised value of the property and provide the certificate to the governing body of the school district or provide the governing body a written explanation of the comptroller's decision not to issue a certificate, using the criteria set out in Section 313.026.

# Determination required by 313.025(h)

Sec. 313.024(a)	Applicant is subject to tax imposed by Chapter 171.
Sec. 313.024(b)	Applicant is proposing to use the property for an eligible project.
Sec. 313.024(d)	Applicant has requested a waiver for the required number of new
	qualifying jobs and pay all jobs created that are not qualifying jobs a
	wage that exceeds the county average weekly wage for all jobs in the
	county where the jobs are located.
Sec. 313.024(d-2)	Not applicable to Application #1081.

Based on the information provided by the applicant, the Comptroller has determined that the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C.

<sup>&</sup>lt;sup>1</sup> All statutory references are to the Texas Tax Code, unless otherwise noted.

# Certificate decision required by 313.025(d)

Determination required by 313.026(c)(1)

The Comptroller has determined that the project proposed by the applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement before the 25th anniversary of the beginning of the limitation period. See Attachment B.

Determination required by 313.026(c)(2)

The Comptroller has determined that the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state. See Attachment C.

Based on these determinations, the Comptroller issues a certificate for a limitation on appraised value. This certificate is contingent on the school district's receipt and acceptance of the Texas Education Agency's determination per 313.025(b-1).

The Comptroller's review of the application assumes the accuracy and completeness of the statements in the application. If the application is approved by the school district, the applicant shall perform according to the provisions of the Texas Economic Development Act Agreement (Form 50-286) executed with the school district. The school district shall comply with and enforce the stipulations, provisions, terms, and conditions of the agreement, applicable Texas Administrative Code and Chapter 313, per TAC 9.1054(i)(3).

This certificate is no longer valid if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this certificate is contingent on the school district approving and executing the agreement within a year from the date of this letter.

Note that any building or improvement existing as of the application review start date of September 10, 2015, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2) and the Texas Administrative Code.

Should you have any questions, please contact Korry Castillo, Director, Data Analysis & Transparency, by email at korry.castillo@cpa.texas.gov or by phone at 1-800-53l-5441, ext. 3-3806, or direct in Austin at 512-463-3806.

Sincerely.

Mike Reissig Deputy Comptyoller

Enclosure

cc: Korry Castillo

# Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller's economic impact analysis of Core Solar SPV V, LLC (the project) applying to McCamey Independent School District (the district), as required by Tax Code, 313.026 and Texas Administrative Code 9.1055(d)(2).

Table 1 is a summary of investment, employment and tax impact of Core Solar SPV V, LLC.

Applicant	Core Solar SPV V, LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy – Solar
School District	McCamey ISD
2014-2015 Estimated ADA	535
County	Upton
Proposed Total Investment in District	\$200,000,000
Proposed Qualified Investment	\$200,000,000
Limitation Amount	\$25,000,000
Number of new qualifying jobs committed to by applicant*	1
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	\$1,058
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)	\$1,041
Minimum annual wage committed to by applicant for qualified jobs	\$55,000
Minimum weekly wage required for non-qualifying jobs	
Minimum annual wage required for non-qualifying jobs	
Investment per Qualifying Job	\$200,000,000
Estimated M&O levy without any limit (15 years)	\$13,216,675
Estimated M&O levy with Limitation (15 years)	\$4,680,000
Estimated gross M&O tax benefit (15 years)	\$8,536,675
* Applicant is requesting district to waive requirement to create minimum number of qualifying jobs pursuant to Tax Code, 313.025 (f-1).	

Table 2 is the estimated statewide economic impact of Core Solar SPV V, LLC (modeled).

	H	Employment		Personal Income			
		Indirect +			Indirect +		
Year	Direct	Induced	Total	Direct	Induced	Total	
2016	200	196	396	\$7,506,800	\$17,317,139	\$24,823,939	
2017	1	29	30	\$55,000	\$3,714,615	\$3,769,615	
2018	1	20	21	\$55,000	\$2,907,238	\$2,962,238	
2019	1	12	13	\$55,000	\$2,157,639	\$2,212,639	
2020	1	7	8	\$55,000	\$1,620,507	\$1,675,507	
2021	1	4	5	\$55,000	\$1,249,769	\$1,304,769	
2022	1	2	3	\$55,000	\$1,004,047	\$1,059,047	
2023	1	2	3	\$55,000	\$822,497	\$877,497	
2024	1	1	2	\$55,000	\$702,479	\$757,479	
2025	1	1	2	\$55,000	\$648,825	\$703,825	
2026	1	2	3	\$55,000	\$625,404	\$680,404	
2027	1	2	3	\$55,000	\$568,547	\$623,547	
2028	1	2	3	\$55,000	\$563,534	\$618,534	
2029	1	2	3	\$55,000	\$576,083	\$631,083	
2030	1	3	4	\$55,000	\$597,171	\$652,171	
2031	1	3	4	\$55,000	\$624,723	\$679,723	

Source: CPA, REMI, Core Solar SPV V, LLC

Table 3 examines the estimated direct impact on ad valorem taxes to the region if all taxes are assessed.

lable 3 1	Estimated Direct		exes without			McCamey		McCamey			
	Estimated Taxable Value	Estimated Taxable Value		McCamey	McCamey	ISD M&O		Hos pital	Upton County	Upton County	
Year	for I&S	for M&O		ISD I&S Tax	ISD M&O	and I&S Tax	Upton County	Dist. Tax	Water District	ESD#1 Tax	Estimated Total
Icai	101 1025	TOP IVIQU	-	Levy	Tax Levy	Levies	Tax Levy	Levy	Tax Levy	Levy	Property Taxes
			Tax Rate	0.0000	1.0400		0.2567	0.4966	0.0038	0.0108	- 2
2017	\$200,000,000	\$200,000,000		\$0	\$2,080,000	\$2,080,000	\$513,400	\$993,200	\$7,600		\$3,615,80
2018	\$170,000,000			\$0	\$1,768,000	\$1,768,000	\$436,390	\$844,220	\$6,460		
2019	\$144,500,000			\$0	\$1,502,800	\$1,502,800	\$370,932	\$717,587	\$5,491	\$15,606	\$2,612,41
2020	\$122,825,000			\$0	\$1,277,380	\$1,277,380	\$315,292	\$609,949		\$13,265	\$2,220,55
2021	\$104,401,250			\$0	\$1,085,773	\$1,085,773	\$267,998			\$11,275	\$1,887,47
2022	\$88,741,063	\$88,741,063		\$0	\$922,907	\$922,907	\$227,798	\$440,688		\$9,584	\$1,604,35
2023	\$75,429,903	\$75,429,903		\$0	\$784,471	\$784,471	\$193,629	\$374,585			\$1,363,69
2024	\$64,115,418	\$64,115,418		\$0	\$666,800	\$666,800	\$164,584	\$318,397		\$6,924	\$1,159,14
2025	\$54,498,105	\$54,498,105		\$0	\$566,780	\$566,780		\$270,638		\$5,886	\$985,27
2026	\$46,323,389	\$46,323,389		\$0	\$481,763	\$481,763	\$118,912	\$230,042		\$5,003	\$837,48
2027	\$40,000,000	\$40,000,000		\$0	\$416,000	\$416,000	\$102,680	\$198,640		\$4,320	\$723,16
2028	\$40,000,000	\$40,000,000		\$0	\$416,000	\$416,000	\$102,680	\$198,640		\$4,320	\$723,16
2029	\$40,000,000	\$40,000,000		\$0	\$416,000	\$416,000	\$102,680	\$198,640	1 - 7 - 1 - 1	\$4,320	\$723,16
2030	\$40,000,000	\$40,000,000		\$0	\$416,000	\$416,000	\$102,680	\$198,640		\$4,320	
2031	\$40,000,000	\$40,000,000		\$0	\$416,000	\$416,000	\$102,680				\$723,16
					3 110,000	2110,000	\$102,000	Ψ170,040	\$1,320	\$4,320	\$723,16
	CDA Com				Total	\$13,216,675	\$3,262,231	\$6,310,962	\$48,292		\$22,975,410

Source: CPA, Core Solar SPV V, LLC <sup>1</sup>Tax Rate per \$100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district, Upton County, and the hospital, water and emergency services districts with all property tax incentives sought being granted using

estimated market value from the application. The project has applied for a value limitation under Chapter 313, Tax Code and tax abatement with the county, and the hospital, water and emergency services districts.

The difference noted in the last line is the difference between the totals in Table 3 and Table 4.

Table 4 Estimated Direct Ad Valorem Taxes with all property tax incentives sought											
Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		McCamey ISD I&S Tax Levy	McCamey ISD M&O Tax Levy	McCamey ISD M&O and I&S Tax Levies	Upton County Tax Levy	McCamey Hospital Dist. Tax Levy	Upton County Water District Tax Levy	Upton County ESD #1 Tax Levy	Estimated Total Property Taxes
			Tax Rate <sup>1</sup>	0.0000	1.0400	II .	0.2567	0.4966		0.0108	Troperty Tunes
2017	\$200,000,000	\$25,000,000		\$0	\$260,000	\$260,000					\$1,012,542
2018	\$170,000,000	\$25,000,000		\$0	\$260,000	\$260,000		\$413,668		7 1 1 1 1 1	\$899,661
2019	\$144,500,000	\$25,000,000		\$0	\$260,000	\$260,000		\$351,618		\$7,647	\$803,712
2020	\$122,825,000	\$25,000,000		\$0	\$260,000	\$260,000	\$154,493	\$298,875		\$6,500	\$722,155
2021	\$104,401,250	\$25,000,000		\$0	\$260,000	\$260,000	\$131,319		,		\$652,832
2022	\$88,741,063	\$25,000,000		\$0	\$260,000	\$260,000		\$215,937			\$593,907
2023	\$75,429,903	\$25,000,000		\$0	\$260,000	\$260,000		\$183,547		,	\$543,821
2024	\$64,115,418			\$0	\$260,000	\$260,000	\$80,646	\$156,015	\$1,194		\$501,248
2025	\$54,498,105			\$0	\$260,000	\$260,000	\$68,549	\$132,612	\$1,015	\$2,884	\$465,061
2026	\$46,323,389			\$0	\$260,000	\$260,000	\$58,267	\$112,721	\$863	\$2,451	\$434,301
2027	\$40,000,000			\$0	\$416,000	\$416,000	\$102,680	\$198,640	\$1,520		\$723,160
2028	\$40,000,000	\$40,000,000		\$0	\$416,000	\$416,000	\$102,680	\$198,640	\$1,520	\$4,320	\$723,160
2029	\$40,000,000			\$0	\$416,000	\$416,000	\$102,680	\$198,640	\$1,520	\$4,320	\$723,160
2030	\$40,000,000	\$40,000,000		\$0	\$416,000	\$416,000	\$102,680	\$198,640	\$1,520	\$4,320	\$723,160
2031	\$40,000,000	\$40,000,000	2.5	\$0	\$416,000	\$416,000	\$102,680	\$198,640	\$1,520	\$4,320	\$723,160
	<u> </u>				Total	\$4,680,000	\$1,860,327	\$3,598,904	\$27,539		\$10,245,038
				<u> </u>	F-100	40.884.6==	*****				
				<del></del>	Diff	\$8,536,675	\$1,401,904	\$2,712,059	\$20,753		\$12,730,372
Assumes	School Value I	imitation and Ta	v A hataman	te with the Cou	ntu honnital ::	naton and au		• •			
Assumes School Value Limitation and Tax Abatements with the County, hospital, water and emergency services districts.											

Source: CPA, Core Solar SPV V, LLC

<sup>1</sup>Tax Rate per \$100 Valuation

**Disclaimer:** This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

## Attachment B - Tax Revenue over 25 Years

This represents the Comptroller's determination that Core Solar SPV V, LLC (project) is reasonably likely to generate, before the 25th anniversary of the beginning of the limitation period, tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement. This evaluation is based on an analysis of the estimated M&O portion of the school district property tax levy directly related to this project, using estimated taxable values provided in the application.

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
Limitation	2014	\$0	\$0	\$0	\$0
Pre-Years	2015	\$0	\$0	\$0	\$0
116-16013	2016	\$0	\$0	\$0	\$0
	2017	\$260,000	\$260,000	\$1,820,000	\$1,820,000
	2018	\$260,000	\$520,000	\$1,508,000	\$3,328,000
	2019	\$260,000	\$780,000	\$1,242,800	\$4,570,800
	2020	\$260,000	\$1,040,000	\$1,017,380	\$5,588,180
Limitation Period	2021	\$260,000	\$1,300,000	\$825,773	\$6,413,953
(10 Years)	2022	\$260,000	\$1,560,000	\$662,907	\$7,076,860
	2023	\$260,000	\$1,820,000	\$524,471	\$7,601,331
	2024	\$260,000	\$2,080,000	\$406,800	\$8,008,131
	2025	\$260,000	\$2,340,000	\$306,780	\$8,314,912
	2026	\$260,000	\$2,600,000	\$221,763	\$8,536,675
	2027	\$416,000	\$3,016,000	\$0	\$8,536,675
Maintain Viable	2028	\$416,000	\$3,432,000	\$0	\$8,536,675
Presence	2029	\$416,000	\$3,848,000	\$0	\$8,536,675
(5 Years)	2030	\$416,000	\$4,264,000	\$0	\$8,536,675
	2031	\$416,000	\$4,680,000	\$0	\$8,536,675
	2032	\$416,000	\$5,096,000	\$0	\$8,536,675
	2033	\$416,000	\$5,512,000	\$0	\$8,536,675
	2034	\$416,000	\$5,928,000	\$0	\$8,536,675
Additional Years	2035	\$416,000	\$6,344,000	\$0	\$8,536,675
as Required by	2036	\$416,000	\$6,760,000	\$0	\$8,536,675
313.026(c)(1)	2037	\$416,000	\$7,176,000	\$0	\$8,536,675
(10 Years)	2038	\$416,000	\$7,592,000	\$0	\$8,536,675
	2039	\$416,000	\$8,008,000	\$0	\$8,536,675
	2040	\$416,000	\$8,424,000	\$0	\$8,536,675
	2041	\$416,000	\$8,840,000	\$0	\$8,536,675
		\$8,840,000	is greater than	\$8,536,675	
Analysis Summary					
		/ to generate M&O tax r he limitation agreement	evenue in an amount su	ifficient to offset the	Yes

NOTE: The analysis above only takes into account this project's estimated impact on the M&O portion of the school district property tax levy directly related to this project.

Source: CPA, Core Solar SPV V, LLC

**Disclaimer:** This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

# Attachment C – Limitation as a Determining Factor

Tax Code 313.026 states that the Comptroller may not issue a certificate for a limitation on appraised value under this chapter for property described in an application unless the comptroller determines that "the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state." This represents the basis for the Comptroller's determination.

### Methodology

Texas Administrative Code 9.1055(d) states the Comptroller shall review any information available to the Comptroller including:

- the application, including the responses to the questions in Section 8 (Limitation as a Determining Factor);
- public documents or statements by the applicant concerning business operations or site location issues or in which the applicant is a subject;
- statements by officials of the applicant, public documents or statements by governmental or industry officials concerning business operations or site location issues;
- existing investment and operations at or near the site or in the state that may impact the proposed project;
- announced real estate transactions, utility records, permit requests, industry publications or other sources that may provide information helpful in making the determination; and
- market information, raw materials or other production inputs, availability, existing facility locations, committed incentives, infrastructure issues, utility issues, location of buyers, nature of market, supply chains, other known sites under consideration.

#### Determination

The Comptroller has determined that the limitation on appraised value is a determining factor in the Core Solar SPV V, LLC's decision to invest capital and construct the project in this state. This is based on information available, including information provided by the applicant. Specifically, the comptroller notes the following:

- According to the company and some media reports, the applicant announced in August 2015 that it intended to create an 80-megawatt solar farm in the Upton County.
- Per the company in media reports, the applicant has completed agreements with Upton County to create a solar facility tentatively valued at upward of \$100 million.
- The applicant's parent company for this project is a national solar company with the ability to locate projects in other counties and states in the US.
- According to the company, without the available tax incentives afforded by its Chapter 313 application, the economics of the project would be unappealing.

### **Supporting Information**

- a) Section 8 of the Application for a Limitation on Appraised Value
- b) Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value
- c) Additional information provided by the Applicant or located by the Comptroller

**Disclaimer:** This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

# **Supporting Information**

Section 8 of the Application for a Limitation on Appraised Value



# Application for Appraised Value Limitation on Qualified Property

5	SECTION 6: Eligibility Under Tax Code Chapter 313.024		
1.	Are you an entity subject to the tax under Tax Code, Chapter 171?	√ Yes	No
2.	The property will be used for one of the following activities:	granerous and	
	(1) manufacturing	Yes	<b>√</b> No
	(2) research and development	Yes	<b>√</b> No
	(3) a clean coal project, as defined by Section 5.001, Water Code	Yes	<b>√</b> No
	(4) an advanced clean energy project, as defined by Section 382.003, Health and Safety Code	Yes	<b>√</b> No
	(5) renewable energy electric generation	√ Yes	No
	(6) electric power generation using integrated gasification combined cycle technology	Yes	<b>√</b> No
	(7) nuclear electric power generation	Yes	<b>√</b> No
	(8) a computer center that is used as an integral part or as a necessary auxiliary part for the activity conducted by applicant in one or more activities described by Subdivisions (1) through (7)	Yes	✓ No
	(9) a Texas Priority Project, as defined by 313.024(e)(7) and TAC 9.1051	Yes	✓ No
3.	Are you requesting that any of the land be classified as qualified investment?	Yes	✓ No
4.	Will any of the proposed qualified investment be leased under a capitalized lease?	Yes	✓ No
5.	Will any of the proposed qualified investment be leased under an operating lease?	Yes	√ No
6.	Are you including property that is owned by a person other than the applicant?	Yes	✓ No
7.	Will any property be pooled or proposed to be pooled with property owned by the applicant in determining the amount of your qualified investment?	Yes	✓ No
G	SECTION 7: Project Description		
_	In <b>Tab 4</b> , attach a detailed description of the scope of the proposed project, including, at a minimum, the type and planned use o	f real and ta	angible per-
	sonal property, the nature of the business, a timeline for property construction or installation, and any other relevant information.	roar aria te	ingibio per
2.	Check the project characteristics that apply to the proposed project:		
	✓ Land has no existing improvements Land has existing improvements (complete Se	ection 13)	
	Expansion of existing operation on the land (complete Section 13)  Relocation within Texas		
S	SECTION 8: Limitation as Determining Factor		
1.	Does the applicant currently own the land on which the proposed project will occur?	Yes	<b>√</b> No
2.	Has the applicant entered into any agreements, contracts or letters of intent related to the proposed project?	Yes	√ No
3.	Does the applicant have current business activities at the location where the proposed project will occur?	Yes	<b>√</b> No
4.	Has the applicant made public statements in SEC filings or other documents regarding its intentions regarding the proposed project location?	Yes	✓ No
5.	Has the applicant received any local or state permits for activities on the proposed project site?	Yes	✓ No
6.	Has the applicant received commitments for state or local incentives for activities at the proposed project site?	Yes	✓ No
7.	Is the applicant evaluating other locations not in Texas for the proposed project?	√ Yes	No
8.	Has the applicant provided capital investment or return on investment information for the proposed project in comparison with other alternative investment opportunities?	Yes	✓ No
9.	Has the applicant provided information related to the applicant's inputs, transportation and markets for the proposed project?	Yes	✓ No
	D. Are you submitting information to assist in the determination as to whether the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in Texas?	Yes	✓ No
Cł	hapter 313.026(e) states "the applicant may submit information to the Comptroller that would provide a basis for an affirm	L	
un	nder Subsection (c)(2)." If you answered "yes" to any of the questions in Section 8, attach supporting information in Tab 5.	anto uciell	auvii

For more information, visit our website: www.TexasAhead.org/tax\_programs/chapter313/

# **Supporting Information**

Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value

# **TAB 5**

Documentation to assist in determining if limitation is a determining factor

The applicant's parent company for this project is a national solar developer with the ability to locate projects of this type in other counties and states in the US with strong solar characteristics. The applicant is actively developing other projects throughout the US. The applicant requires this appraised value limitation in order to move forward with constructing this project in Texas. Specifically, without the available tax incentives, the economics of the project become unappealing to investors and the likelihood of constructing the project in Texas becomes unlikely. Other places where Applicant is considering investing and developing projects include states that offer market incentives for generation resources like property tax incentives, including Tennessee, North Carolina, Mississippi, Utah, New Mexico, California and Arizona.

Property taxes can be the highest operating expense for a solar generation facility as solar plants do not have any associated fuel costs for the production of electricity, and with Texas wholesale electricity prices already below the national average in Texas, it is necessary to limit the property tax liabilities for a solar project in order to be able to offer electricity at prices that are marketable to Texas customers at competitive rates, including power sales under a bi-lateral contract. Markets such as California that have state wide available subsidies for renewable energy projects, and which have higher average contracted power rates, offer an attractive incentive for developers to build projects in those markets over Texas.

The property tax liabilities of a project without tax incentives in Texas lowers the return to investors and financiers to an unacceptable level at today's contracted power rates under a power purchase agreement. As such, the applicant is not able to finance and build its project in Texas even with a signed power purchase agreement because of the low price in the power purchase agreement. Without the tax incentive, the applicant would be forced to abandon the project and spend its development capital and prospective investment funds in other states where the rate of return is higher on a project basis.

This is true even if the entity is able to contract with an off-taker under a power purchase agreement because the low rate contracted for is not financeable without the tax incentives. More specifically, a signed power purchase agreement in the Texas market is at a much lower rate than other states because of competitively low electricity prices. Other states have high electricity prices where a developer can obtain a PPA with a much higher contracted rate, combined with state subsidies, the other states offer a much higher rate of return for the project financiers. Without the tax incentives in Texas, a project with a power purchase agreement becomes non financeable and the developer would have to abandon the project and go to a different market.

# **Supporting Information**

Additional information provided by the Applicant or located by the Comptroller

# Midland Reporter-Telegram

**Business Directory** 



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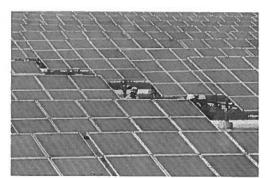
# Solar projects begin encroaching oil territory

Comments (1)

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Size



Franklin Reyes

## Solar Farm

(AP Photo/Franklin Reyes)

Posted: Thursday, August 6, 2015 5:10 pm

By Brandon Mulder | bmulder@mrt.com | 1 comment

Alternative energy facilities continue to crop up in and around the Permian Basin. And amid the endless horizon of bobbing pumpjacks and towering drilling rigs, two solar farms will soon begin soaking up the high-watt sun in Andrews and Upton counties.

Last week Andrews County commissioners and the Austin-based environmental consulting and development firm Core Solar presented plans for the Andrews 7 project, which will create an 80-megawatt solar farm in the northern part of the county. The facility, which tentatively is valued at upward of \$100 million, will receive an 80 percent tax abatement over seven years, yet will still generate an estimated \$1.3 million in tax revenue for the county over the course of 25 years. according to Andrews County officials.

Core Solar also has completed agreements with Upton County officials to create a solar facility of a similar scope, according to environmental consultant Randy

Sowell of Upton County who played a major role in establishing the two projects.

"This is a new industry and it's a revenue stream that most people have not considered yet, and it's a really easy way to diversify rural economies," Sowell said. "I think it's going to be an economic diversification tool for a lot of these rural economies."

This deep into the Permian Basin, where oil and gas lease holds are nearly contiguous throughout, it's tricky for solar developers to lease a portion of land that hasn't already been claimed by oil companies.

Finding the right spot is "half the battle," said Andrews County Director of Economic Development Wesley Burnett. Yet the solar development company has sussed out the two sites deep in oil country - both conveniently located to utility transmission lines.

"It's a great project, it's a lot of investment, and we've got the land out there to do it. There's no production or anything like that on it," Burnett said. "They can directionally drill horizontally from other areas if there does happen to be some production under there, so you can still have some activity underneath it. But there's not a lot of land that's not already leased up to an oil company."

Solar energy's encroachment into the Permian Basin comes after many solar developers already colonized the

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sunny grasslands of Far West Texas. Land exists there; however, the transmission lines connecting the resource to the grid have reached capacity.

"You don't have a limitation on the resource, but you do have limitations on transmission capacity, and that's what you have on the outer edges of the ERCOT (Electric Reliability Council of Texas) transmission system," Sowell said. "You don't have very many people out there so you don't have very many transmission lines."

That could change.

The transmission utility company Oncor is increasing energy capacity of its transmission infrastructure, in turn creating more possibilities for renewable energy sources. Core Solar plans to continue creating additional phases of the project to the extent that transmission possibilities allow.

Development of the Andrews 7 project is expected to begin early 2016 and is expected to take between nine and 12 months. Between 200 and 400 workers will be needed for construction, and because of Andrews' low unemployment rate, some of those laborers will come from outside the county, Burnett said.

But once complete, the facility will require only one or two full-time employees, mainly for security and vegetation maintenance, Sowell said. With automated systems controlled remotely, the system "just takes care of itself."

The jobs that the project's construction will provide to the region may provide relief for those in the oil industry who have been recently laid off.

"There's a lot of these being built right now; there will be more built next year," Sowell said. "I think it's interesting that it's coming at the heels of a downturn in the oil and gas industry.

"There will be waves and troughs in the fortunes of the oil and gas industry, and it's going to go down. Well, it's good to see something else that's rising at the same time," he said.

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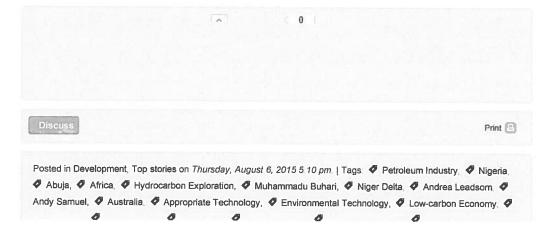
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